

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5149-01
Bill No.: SB 1137
Subject: Elderly; Taxation and Revenue - Property
Type: Original
Date: April 5, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown - possibly \$3,000,000)	(Unknown - possibly \$3,000,000)	(Unknown - possibly \$3,000,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown - possibly \$3,000,000)	(Unknown - possibly \$3,000,000)	(Unknown - possibly \$3,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission** assume the proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** states this proposal removes the full year residency requirement from the property tax credit program for applicants who choose the 'over 65' status. This proposal may increase participation in this program by an unknown amount. According to information supplied by the Department of Revenue, this proposal could lower general and total state revenues by \$3 million.

Officials from the **Department of Revenue (DOR)** state this legislation removes the one-year residency requirement, allowing more citizens to qualify for the Property Tax Credit (PTC).

DOR states the legislation expands the customer base for PTC, however, DOR anticipates being able to handle the increase in phone calls and walk-ins with existing staff.

DOR's Personal Tax would require 1 Temporary Tax Employee for every additional 10,705 returns filed and 1 Tax Processing Technician I for every 25,000 additional returns filed for errors and correspondence. At this time, DOR does not expect this change to generate this

ASSUMPTION (continued)

volume of applications and is therefore not requesting this FTE at this time. In the event the volume of applications increase, additional FTE will be requested through the regular budget process.

DOR states that since the legislation expands the customer base for those qualifying for the Property Tax Credit, it would allow the potential for more refunds to be issued, therefore, reducing state revenues.

Oversight assumes that by expanding the base of those qualifying for the credit, there will be more credits issued, and consequently, less revenue collected. Oversight has no data by which to calculate the amount of additional credits that would be issued. Therefore, with BAP's estimate that as much as \$3 million in additional credits may be issued, Oversight will assume an unknown loss to General Revenue, possibly \$3,000,000.

The amount of tax credits redeemed under the program in the past three years has been \$95.7 million in FY 2003, \$95.2 million in FY 2004 and \$99.5 million in FY 2005. DOR anticipates similar amounts to be redeemed in fiscal years 2006 and 2007

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Loss - Department of Revenue</u>			
Expansion of the Property Tax Credit program by removing the full year residency requirement	(Unknown - possibly <u>\$3,000,000</u>)	(Unknown - possibly <u>\$3,000,000</u>)	(Unknown - possibly <u>\$3,000,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(UNKNOWN - POSSIBLY <u>\$3,000,000</u>)	(UNKNOWN - POSSIBLY <u>\$3,000,000</u>)	(UNKNOWN - POSSIBLY <u>\$3,000,000</u>)
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Under the current property tax credit program, there is a qualification requirement which states that all applicants who chose the "over 65" status must have been a resident for the entire year in which they are applying for the credit. This act removes the full year residency requirement from the property tax credit program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
State Tax Commission



Mickey Wilson, CPA
Director
April 5, 2006